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SUBJECT: JAPANESE RESPONSE TO APEC DEMARCHE

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¶1. (SBU) Summary: Japanese officials expressed support for U.S. APEC goals set out in reftel, in particular, the completion of the IPR model guidelines and extension of the mandate of the Counter-terrorism Task force (CTTF). However, Japanese interlocutors were cautious of plans to reinvigorate APEC institutions, noting that any changes requiring increased financial burdens will need detailed examination of new funding sources. Likewise, officials expressed support for a "strong political message" on resuming the Doha Round but were pessimistic about U.S. ability to renew "Fast Track" authority. Japan's 2006 APEC goals include agreement on the IPR anti-counterfeiting guidelines, progress on the Investment Liberalization and Facilitation Action Plan, a part of the joint Japan-Australian "Behind the Border" initiative, and implementation of a "One Village One Product" rural development symposium. End Summary

¶2. (SBU) Emboff delivered reftel demarche on U.S. 2006 APEC Priorities to Ministry of Economy, Trade and Industry (METI) APEC Director Kunihiro Shinoda and Ministry of Foreign Affairs (MOFA) APEC Director Hiroyuki Minami. Both expressed broad support for U.S. goals and pledged continued close cooperation with U.S. counterparts at September's third Senior Officials Meeting (SOM III).

Counter-terrorism

¶3. (SBU) MOFA's Minami expressed unequivocal support for extension of the CTTF mandate, although he noted that some economies continue to object to part of the task force's agenda. He offered Japan's continued engagement with those economies to move forward U.S. CT goals. On the issue of a successor to the current chair, he expressed surprise that General Defensor was stepping down but offered no ideas on a replacement candidate.

Future of APEC

¶4. (SBU) The proposal for "Reinvigorating APEC" stimulated the most active discussion. METI's Shinoda said Japan backed the general idea of strengthening the functions of the Secretariat but said there was not yet an internal consensus on how best to do that. He noted that APEC members had put forward a variety of proposals including establishment of an APEC "Chief Operating Officer". Shinoda noted two areas of particular Japanese interest: strengthening linkages between the Secretariat and academia with the aim of producing better economic research and stronger, formal linkages with the business community (e.g. ABAC) to assure that private sector proposals have greater influence in APEC decision making.

¶5. (SBU) MOFA's Minami had more concrete concerns. He concurred with his METI colleague on support for strengthening APEC within the context of improving Asia-Pacific "regional architecture" but noted

that any proposal for a permanent Executive Director or similar position implied a greater financial burden that would need to be covered by member economies. Until now, Japan and the United States had been carrying the primary burden of APEC financing and, in addition, Japan has made significant contributions to APEC's Trade and Investment Facilitation (TILF) funds. Noting that Ambassador Michalak had recently expressed concerns to MOFA Economic Affairs Director General Ishikawa that Japan has not paid adequate attention to strengthening APEC, Minami pushed back by pointing out that Japan had long been a leader in APEC both through its financial contributions and in other mechanisms. He expected that once again at SOM III Japan's Senior Officials would support reinvigorating APEC "in principal" but wanted a more detailed discussion on funding sources and ways to reduce low-priority spending before it could agree to create new permanent leadership positions. In reply, emboff noted that the United States understood the likely need for enhanced funding attached to any proposal to strengthen APEC institutions and was already looking at options. The United States did not want institutional reform efforts to unfairly burden any single economy.

Doha

16. (SBU) METI's Shinoda agreed that the November APEC Trade Ministerial provides an opportunity for members to issue a strong political statement in support of restarting the Doha negotiations. Japan would support such a move. However, both he and MOFA's Minami expressed pessimism about the possibility of getting talks back on track quickly. They noted that the uncertain outcome of this year's U.S. midterm elections and the resulting difficulties in renewing "Fast Track" authority made early resumption of negotiations problematic.

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Technology, Facilitation and IPR

17. (SBU) As for the remaining specific U.S. initiatives Japan had few objections. METI's Shinoda was most enthusiastic about IPR initiatives. As one of the three co-sponsors, Japan is supportive of the IPR model guidelines. It will also back the authorized software proposal as soon as it can work through some minor issues related to GOJ agencies' internal guidelines on IT security policy. He also called the Pathfinder program on Technology Choice a "good initiative" and noted that, following a GOJ interagency conference call, last week Japan expects to support this proposal in Hanoi. On the "single window" trade facilitation proposal, Shinoda was marginally more cautious. Although Japan has initiated many trade facilitation projects in APEC in the past, the Ministry of Finance, which has authority over customs-related issues, has minor concerns about implementation of the single window idea. Once the GOJ can work through these, it is likely to be supportive.

Japan's APEC Priorities

18. (SBU) In addition to the IPR anti-counterfeiting guidelines initiative, Shinoda noted two Japanese trade priorities for the current year. First, within the context of reinvigorating APEC, Japan would be looking for ways to strengthen linkages between the Secretariat and private academic institutions such as a "study

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center consortium" to improve APEC's economic research capacity. Japan would also like to see more formal linkages between the private sector and the Secretariat to ensure that private sector initiatives, such as those from ABAC, receive greater influence in the organization's decision-making although he had no specific proposal in that area yet. Second, he described in detail Japan's proposals, in cooperation with Australia, for an "Investment Liberalization and Facilitation Action Plan" to link a number of existing initiatives that enhance cross-border investment. In addition, he presented a draft outline for an APEC Small and Medium Enterprise seminar, in cooperation with host Vietnam, to be held on

the sidelines of SOM III. The seminar, entitled "One Village, One Product", would promote both regional tourism and local cottage industries. MOFA's Minami meanwhile urged USG support for specific programming under the joint Japan-Australia "Behind the Borders" structural reform initiative.

SCHIEFFER